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Item 3(4) Government
Publications

REQUESTS ADVANCED BY NIAGARA BASIC POWER USERS' COMMITTEE

AND ACTION TAKEN THEREON

BY THE HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

1. Request for Fixed Rate Long Term Contracts

The Committee first requested 20 year contracts then later 10 year contracts with fixed rates for 5 years and after a 5 year fixed rate was agreed to, then a 10 year contract with fixed rates for 10 years was requested.

Disposition

On December 12, 1960, the Commission advised the Committee that we were prepared to fix their rates for power for 5 years at the level of Firm rates established June 1, 1960. It was later agreed that the period would be from January 1, 1961, to December 31, 1965. The term of the contract was to be year-to-year with no final expiration date but either party could cancel at the end of any contract year by 60 days prior notice,

2. Request for a lower rate for Interruptible Power

The Committee first requested that the rate for Interruptible power be reduced from 85% of the Firm power rate to 70% of the Firm power rate. A later request did not suggest the amount of reduction.

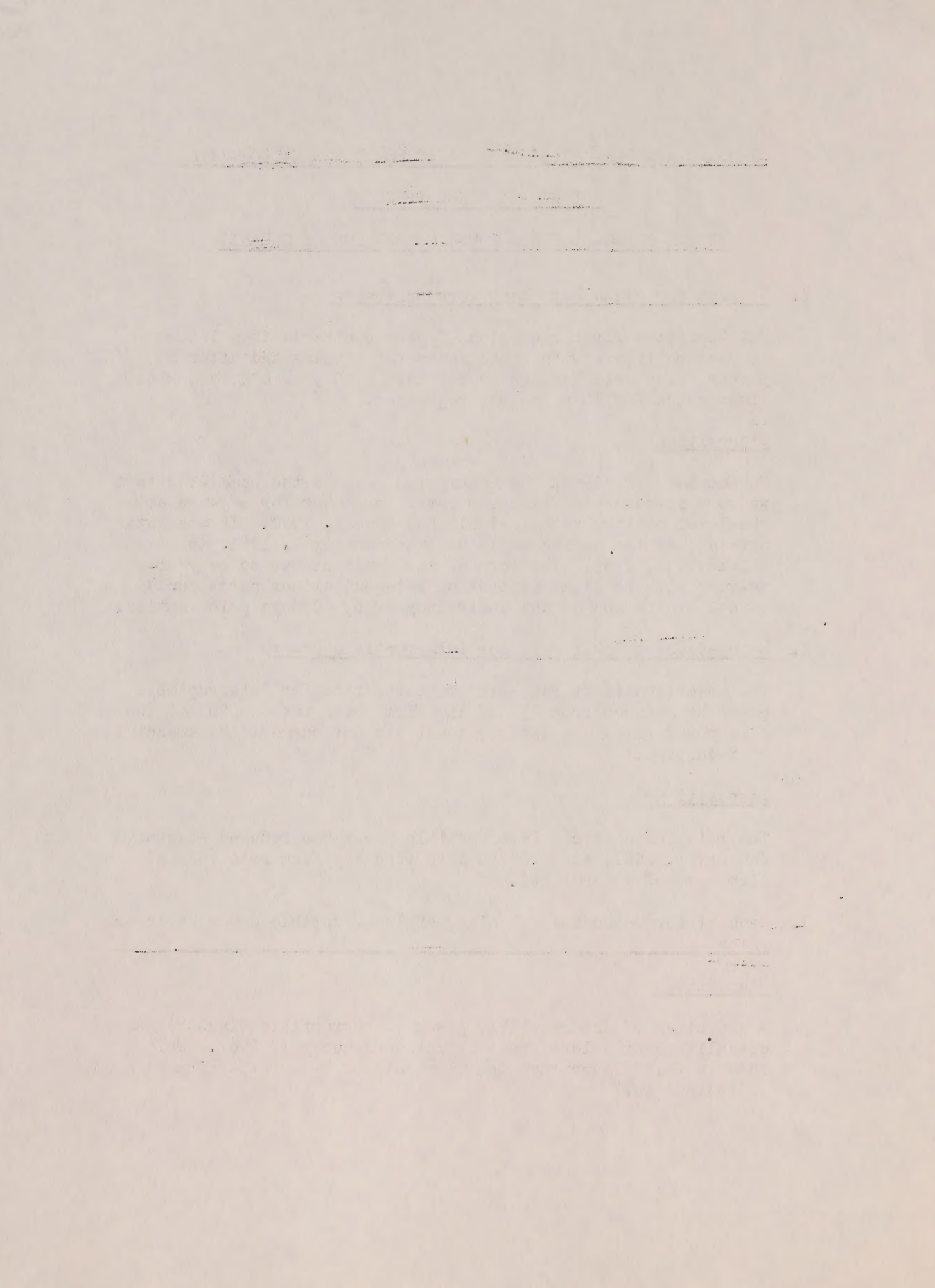
Disposition

The rate for 25 cycle Interruptible power was reduced effective January 1, 1961, to \$6.00/kw less than the Firm rate (82% of Firm rate of \$33 per kw).

3. Request for an additional class of Interruptible power at lower rates

Disposition

A new class of Interruptible power (Interruptible Class B) was established at a lower rate effective January 1, 1961. This rate is \$8.50 lower than the Firm rate or 74% of the Firm rate of \$33 per kw.



4. Request for a more flexible minimum billing clause in new agreements

After provision was made for a more flexible minimum billing clause, the Committee then requested provision for the inclusion of strikes in the list of causes of 'force majeure' thus removing the requirement to pay minimum charges for power in the event of a strike.

Disposition

The agreements have always been flexible with regard to minimum billing. However, the new agreements have been made even more flexible in accordance with the Committee's request. There has been no reference to strikes included in the 'force majeure' clause in any of our agreements prepared since 1955. At that time the Commission decided that a strike should not be considered in the same category as fires, explosions, etc. and this is still our opinion.

5. Request to establish a 25 cycle Niagara District for which cost would be determined separately and base rates to the Committee members on the costs of generating power on the Niagara River and transmitting it within a 15 mile radius

Mr. A. A. Schmon of the Ontario Paper Company has been pressing for this for a number of years and the Committee on four different occasions repeated this request in writing.

Disposition

The views of the Commission and the Committee are completely divergent on this point. The 25 cycle system is integrated by means of frequency changers with the 60 cycle system and should not be considered as a separate system for establishing low rates to the N.B.P.U.C. The fact that these companies are large and long established users of the electric power in Ontario does not entitle them to the sole right of the benefits of low cost generation from the original plants in the Niagara area at the expense of the municipal utilities and other customers in the Province. The original 14 municipalities responsible for the formation of the Provincial Commission could also claim equal rights on the same basis. These companies' demands increased from 80,000 kw in 1924 to 330,000 kw in 1959 and this fact justifies our stand that the increased cost of our system facilities should be reflected in the rates to these companies.

We have not included the 25.00/kw frequency assessment in rates charged to the N.B.P.U.C. for 25 cycle power since 1954 and this concession is being continued. The companies have saved over 5 million dollars as a result in addition to the savings in the cost of conversion of their plants.

6. Request to set "Firm" and "Interruptible" Power Rates at 1959 Levels

Disposition

Because of rising costs, we are unable to accede to this request. However, by risking a deficit position, we limited our 1960 rate increase to \$2.00 per kw for Firm power instead of an increase of \$3.00 per kw originally contemplated.

7. Request to increase the load factor limit on the demand rate from 70% to 85%

Disposition

We have explained to the Committee why the Commission has adopted a 70% load factor rate; viz. it approximates the average system load factor and the energy use of the majority of our customers. If we were to adopt an 85% load factor rate, we would increase the demand charge to reflect higher energy use, in which case, customers operating at less than 85% load factor would be penalized.

8. Request to re-establish a class of 'at will' power at a reasonable price

Disposition

At will power is defined as surplus hydraulic energy, available on a day-to-day or even hour-to-hour basis with no assurance of continuity of supply. It is only of value for electric steam boiler loads with an alternative source of energy or as turbine replacement power to customers with electric generating facilities. We believe that the Committee now appreciates that such power is not applicable to the operation of these companies.

9. Request to adopt a quantity discount permitting lower unit prices on volume purchases

Disposition

We cannot accede to this request because it would not be equitable to adopt block rates for large industries without according the same concession to municipalities. There are some 20 municipalities in Southern Ontario with loads in excess of 20,000 kw, Toronto Hydro being the largest with a load of 560,000 kw.

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10. Request to omit from the rate structure contributions to the sinking fund reserve and to the stabilization of rates and contingency reserve
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Disposition

We have explained to the Committee on several occasions that these loads must be assessed for sinking fund reserves and the rate stabilization and contingency reserve in the same manner as other customers on the system. At our meeting of December 12, 1960, we advised the Committee of discussions with and the concurrence from the OMEA on a proposal whereby large industrial customers having long service records would share with the municipal utilities in sinking fund credits which would be applied to a special reserve for the stabilization of rates to these large industrial customers. The manner in which we will employ our overall Rate Stabilization and Contingency Reserve has been explained to the Committee and how this will avoid abnormal and temporary fluctuations in the cost of power.

January 1962.

